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TAGS: [ECON](#) [ETRD](#) [PGOV](#) [PREL](#) [BA](#) [BILAT](#) [ECTRD](#) [OFFICIALS](#)
SUBJECT: DEPUTY PM, EDB CHIEF DISCUSS GROWTH AND TRADE WITH
COMMERCE DEPUTY SECRETARY

Classified By: Ambassador William T. Monroe for reasons 1.4 (b) and (d)

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Summary

¶1. (C) Deputy PM Shaikh Mohammed Bin Mubarak told Commerce Deputy Secretary Sampson February 5 that he welcomed the idea of a wider regional free trade agreement, but stressed that problems in Iraq and Iran's ideology of expansion could have a negative impact on regional economic integration. In response to the U.S. concern about Arab League boycott language still appearing occasionally in government contracts, Shaikh Mohammed assured Deputy Secretary Sampson that Bahrain was committed to eliminating the language from all contracts and would handle cases expeditiously as they arose. In a separate meeting February 4, Economic Development Board (EDB) Chief Executive Officer Shaikh Mohammed Bin Isa said that the GOB was trying to maintain a six to seven percent growth rate that could be sustained over a 15-year period. Shaikh Mohammed stressed that economic growth in Bahrain needed to ultimately benefit Bahraini workers and their families. He cited job creation, including jobs for skilled Bahraini workers, as an important priority. Among the continuing challenges Bahrain faces are raising the skill level of Bahraini workers and decreasing government subsidies over time. End summary.

Deputy PM on the Economy, Regional Security

¶2. (C) In a meeting with Commerce Deputy Secretary Sampson February 5, Deputy Prime Minister Shaikh Mohammed Bin Mubarak Al Khalifa said that Bahrain welcomed the Middle East Free Trade Agreement, noting that the region will benefit from enlarging the circle of free trade. However, the problems in Iraq need to be contained because they have had a destabilizing effect on the region. Security is the number one issue for the success of a free trade region and the threats from both Iraq and Iran jeopardize that success. He said that Iran still has an expansionist ideology, making the countries of the region wary. Although Iraq no longer has similar thoughts of expansion, he recalled former Iraqi FM Tariq Aziz telling him personally that Iraq had all the oil it needed and had no reason to pursue its claims over Kuwait. Iraq invaded Kuwait shortly afterward.

¶3. (C) Deputy Secretary Sampson raised the problem of government contracts occasionally containing language

referring to the Arab League boycott of Israel. Shaikh Mohammed assured the Deputy Secretary that Bahraini officials were in complete agreement on the need to purge this language from all contracts and were committed to handling these cases expeditiously as they arose.

¶4. (C) Shaikh Mohamed said that Crown Prince Shaikh Salman Bin Hamad Al Khalifa wants to prepare the Bahraini labor force for the future. The long-term solution to labor issues is not to hire expatriate workers at low wages to fill jobs, but to raise the skill level of Bahrainis to be able to assume the positions at a higher wage. Shaikh Mohammed pointed to the success of the Bahrain Institute of Banking and Finance (BIBF) in training over 8,000 Bahrainis who work in the banking sector not only in Bahrain but all around the Gulf. He also mentioned the business incubator program that has facilitated the start-up of approximately 200 new businesses in Bahrain.

Maintaining Sustainable Growth

¶5. (C) In a separate meeting on February 4, EDB Chief Executive Officer Shaikh Mohammed Bin Isa Al Khalifa said that as GOB officials plan over a 15-year time horizon, they are attempting to keep Bahrain's growth sustainable at a level of six to seven percent per year. "We view our growth like a marathon runner, not a sprinter, so even though we are experiencing success now, we need to continually monitor the health of the economy to ensure its endurance." He said that even in the long term, as oil becomes a smaller part of government revenues, the goal is to maintain growth at six to seven percent. He added that private sector investment has outpaced public sector investment three to one.

¶6. (C) Shaikh Mohammed contrasted Bahrain's economic growth with that of the United Arab Emirates by asking, "Who is this development for?" He commented that Dubai's development was not really for the benefit of its citizens but to attract visitors and to build its international reputation. In contrast, GOB officials see economic growth as important for Bahraini citizens and want to manage the country's growth in order to create jobs for the benefit of the widest possible cross section of the population. Shaikh Mohammed stated that job creation, including jobs for skilled Bahraini workers, was an important priority. He pointed to the banking sector as a success story, saying that between 70 and 80 percent of its workers are Bahraini.

¶7. (C) Shaikh Mohammed pointed out that one of Bahrain's challenges is to prepare the lower levels of the Bahraini work force for the future, since many lack the skills needed to be competitive in currently available jobs. He also mentioned the GOB's intent to wean the public from government subsidies, citing that 70 percent of those who receive electricity subsidies should not qualify to receive them, including himself. Regarding recent consumer price increases, Shaikh Mohammed said that the government needed to do a better job of both highlighting what it is doing to help the needy and moving the public debate about prices from one that is sectarian to one that is socioeconomic.

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